



**New European Industrial Policy –  
Focus: Green Deal Industrial Plan &  
Net-Zero Industry Act**

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# Executive Summary

The European economy is currently facing major and sometimes global upheavals. Digitisation, the climate crisis, demographic change and escalating geopolitical tensions require bold, swift and targeted action by the European Union and its Member States. The EU approach of open strategic autonomy is at odds with the new interventionist and protectionist approaches.

Against this backdrop, the European Commission is focusing on a more active approach to industrial policy. The **Green Deal Industrial Plan** and related legislation and initiatives, such as the **Net-Zero Industry Act, the Critical Raw Materials Act, the new subsidy framework and the European Hydrogen Bank**, aim to achieve technological retooling and innovation, value creation and employment for a climate-neutral and sustainable Europe. Reform of the **EU electricity market design** is also part of the Green Industrial Plan.

From the perspective of employees, the active approach to shaping the industrial transformation is clearly to be welcomed, but further deepening of the proposed regulations, measures and initiatives with regard to social issues and societal challenges is required. The Commission's proposals can only succeed if they **focus on the social dimension of industrial restructuring**. Just transition approaches therefore need to be reinforced **as a cross-cutting issue** in all companies and regions concerned. For example, it is necessary to address the creation of high-quality jobs and the **training of skilled workers**, the development of a **European circular economy, the linking of social and environmental conditions** to the award of public contracts or subsidies, the promotion of **cooperation and increasing co-determination** at all political levels.

In addition, there is a need for ongoing strategic development of the welfare state and public infrastructure. Financing has to be made available in this respect. That is the only way we can adequately address the climate crisis, reduce uncertainty and lead the industrial base of the European model of prosperity into a climate-neutral future. Viable transition paths must be developed together with the European social

partners. These should meet the following requirements:

- **Prosperity-based focus of the economy**
- **Linking decarbonisation to employment policy issues**
- **Consideration of distribution aspects**
- **Involving national and European social partners in the management of the transition; the focus must be on people.**

What is needed, therefore, is not only a green plan, but also a social and fair plan for a carbon-neutral era.

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# AK's position

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## The revival of industrial policy

The European economy is currently facing major and sometimes global upheavals. Digitisation, the climate crisis, demographic change and escalating geopolitical tensions require bold, swift and targeted action by the European Union and its Member States. Four key factors have ramped up the pressure to take action:

- the energy crisis triggered by the dependence of many EU countries on Russian natural gas;
- ongoing problems in supply chains;
- China's pursuit of and claim to technology leadership in important future sectors such as solar energy, battery cells and electromobility; and
- an ambitious Inflation Reduction Act in the USA.

Europe as an industrial location does not appear to be equipped to meet these challenges, putting the long-term existence of high-quality industrial jobs at risk. Above all, the U.S. announcement of generous subsidies (around USD 370 billion) tied to domestic U.S. production is putting pressure on the EU and other economies to change. This new U.S. protectionism, which – like Chinese industrial policy, for example – also contains interventionist elements, is at odds with the EU approach of open strategic autonomy.

Against this backdrop, the Commission has recognised that „business as usual“ is not an option if value creation and employment in Europe are to be safeguarded and advanced. That realisation has led to a departure from previous European economic and industrial policies. A horizontal industrial policy relying on market-based solutions and competition has been replaced by more active management. Stronger subsidy policies and the softening of strict EU state aid rules and targets seek to lead Europe's industry into a climate-neutral era and reduce strategic dependencies.

Back in 2019, the Commission under Ursula von der Leyen attempted to position the EU globally as a pioneer in forward-looking, sustainable industrial

policy with the European Green Deal. Substantial public funding is now available to support the transition to climate-neutral, digital and resilient production and value creation and to boost the international competitiveness of European locations and companies. For example, one-third of the investments from the NextGenerationEU recovery plan and the current long-term EU budget for 2021-2027, totalling 1.8 trillion euros, are dedicated to the Green Deal. A number of Important Projects of Common European Interest (IPCEIs) have already been supported to promote applied research and to develop and expand strategic key technologies.

Despite these far-reaching announcements, the funds made available and the ambitious EU climate targets – at least a 55 percent lower net greenhouse gas emissions by 2030 compared with 1990 – little progress has been made towards a forward-looking and sustainable industrial realignment. The same applies to the goal of reducing the heavy dependence on strategic and critical raw materials, which has been on the EU's radar for some time. Furthermore, the EU Industrial Strategy has already been revised twice in the current legislative period – without any decisive breakthrough. That is now expected to be achieved through the Green Deal Industrial Plan, which was announced at the beginning of February 2023. The Plan is intended to complement existing efforts to transform industry under the European Green Deal and the EU Industrial Strategy, most recently updated in 2021, including in particular the Circular Economy Action Plan.

However, the Green Deal Industrial Plan is also accompanied by a different perspective on production and value creation. In the past, liberalisation efforts at the EU level meant that direct intervention in the market and the promotion of individual industries was generally frowned upon. However, a shift towards active industrial policy can now be observed. The aim is now to expand renewable energies and other industries of the future in a targeted manner, along with energy-intensive production.

## The transformation of Europe's industrial ecosystems

The reorientation toward a more active industrial policy has also brought about a change in perspective. Whereas policy-makers used to think rigidly in terms of particular industries, the pandemic and the energy crisis have taught them that economic structures should be viewed more as networks. The linear view of individual value chains is giving way to a view of production and value networks as an interplay between private, public and semi-public actors, known as industrial ecosystems.

Through the concept of industrial ecosystems, the transformation of the economic area into a resilient, digital and climate-neutral EU recognises the importance of infrastructure, public and private capacities and their interaction in creating value and employment while safeguarding public interests. We expressly welcome this new analytical perspective.

### The Green Deal Industrial Plan as an industrial policy framework

The Green Deal Industrial Plan, unveiled in February 2023, aims to intensify existing efforts to move Europe's industry into the carbon-neutral era. It is built on four pillars:

1. A simplified, favourable regulatory environment for net-zero industry so that the EU becomes a leader in clean tech innovation,
2. Faster access to funding,
3. Enhancing skills in the workforce,
4. Open trade for resilient supply chains.

That will be implemented through a series of new legal acts, including in particular

- the Net-Zero Industry Act and the Critical Raw Materials Act,
- along with the revision and flexibilisation of the existing legal framework for subsidies and
- the EU electricity market design and
- the establishment of a European Hydrogen Bank.

The Green Industrial Plan presents an ambitious strategy to build regional value chains and strengthen Europe's industrial base. However, the Commission always restricts itself to incentive systems; the Plan fails to specify mandatory production targets or specific paths for attaining the targets with fixed intermediate targets. The Plan therefore remains too vague and unspecific on key issues related to the design of the transition.

From the perspective of employees, the transition to climate neutrality must go beyond merely achieving the net-zero target and boosting competitiveness. What is needed is an overall economic policy concept that takes into account the breadth of the transition and all its social and environmental impacts in the sense of a just transition. It is therefore necessary to link industrial policy issues to conditions and socio-political approaches to solutions. Financing drives must be tied to conditions regarding the quality of work and training drives must be tied to workers' rights. In addition, it will be necessary to actively involve the affected employees, their representatives and civil society in order to allay uncertainty and fear and jointly make restructuring plans reality. So it is important to involve the EU social partners in all aspects of the Industrial Plan and in the bodies responsible for the restructuring.

### Access to finance

In order to be able to provide targeted support to companies in key sectors of the net-zero economy, the Temporary Crisis Framework adopted in the wake of Russia's attack on Ukraine will be extended and promoted to a subsidy law for „shaping environmental change.“ It allows for operating subsidies in the broadest sense and also provides for tax breaks for companies in strategically important sectors. The EU thereby aims to attract new green businesses while preventing the exodus of established companies.

However, the intensified allocation of subsidies at the national level has led to damaging subsidy competition between Member States over the past year. Small countries like Austria cannot win this; Germany and France have provided nearly 80% of EU-wide business subsidies in recent years. Regional differences and different budgetary conditions must be taken into account; that must be done in the framework of „subsidy sharing“ in which several Member States participate. The EU itself will also allocate funds, for which a new Strategic Technologies Fund (STEP) will be established. However, this consists primarily of funds reallocated from existing funds; it must therefore be assumed that much of the necessary funding under the Green Industrial Plan will continue to come from national budgets.

From the perspective of employees, it is above all imperative that state aid be linked to binding social and environmental conditions. What is needed are location and employment guarantees by the beneficiary companies, the obligation to comply with collective agreements and the expansion of the co-determination rights of the workforce, as well as fair pricing for end consumers and requirements for the reinvestment of profits from subsidised projects.

## Foreign trade policy

The fourth pillar of the Green Deal Industrial Plan involves shaping trade policy in the interest of transitioning to a clean economy. The Commission remains committed to free trade agreements, despite widespread criticism that, in their current form, they are detrimental to the climate, the environment and the workforce. AK notes with regret that the environmental and climate-related impact of international trade and freight transport is not mentioned at all in the Commission documents. As far as employees are concerned, trade policy must prioritise the welfare of people and the environment; there needs to be a revision of all trade agreements and specific plans on how to advance the decarbonisation of trade.

## Net-zero: regulation for a climate-neutral industrial sector

The stated goal of the draft regulation for a Net-Zero Industry Act (NZIA) is to expand the manufacturing capacity of „net-zero technologies“ in Europe to 40 percent by 2030. According to the Commission’s proposal, these are: batteries, wind turbines, solar PV systems, electrolysers, heat pumps, grid infrastructure and technology for carbon capture and storage. Supply-side incentives are to be created for this purpose: better investment conditions, more flexible state subsidies, accelerated approval procedures, and training and continuing education programmes for skilled workers.

However, what is fundamentally lacking, in order to actually ensure Europe’s strategic independence and competitiveness on future markets in the long term, is a holistic approach, i.e. expansion of the European circular economy and addressing the green and digital (twin) transition. Regulatory instruments such as government intervention in pricing and regulations such as on mandatory recycle quotas and product design specifications should also be maximised. In addition, there is a need for clear, realistic and binding expansion paths with intermediate targets, including at the operational level, and a targeted demand policy.

## Simplified permits & RTI

AK welcomes the planned simplification and acceleration of approval procedures, but wishes to point out that the relevant authorities will require additional financial and human resources in order to comply with the shortened deadlines while still adhering to the applicable standards and ensuring the quality of the procedures. Speeding up procedures should not be done at the expense of the environment and local interests.

The development and testing of innovations is also to be facilitated by the establishment of „regulatory sandboxes“. These newly defined, delineated areas provide the greatest possible regulatory freedom. While AK recognises the usefulness of such regulatory sandboxes for research, it should also be ensured that interests usually protected by regulatory standards are not undermined. From the perspective of employees, the main point is to ensure compliance with protective regulations under labour and social laws.

## Public procurement

At present, there are mostly comprehensive, sector-specific and technical catalogues of criteria for „Green Public Procurement“ at the EU level, the application of which is voluntary. The NZIA recognises that the government plays the leading role as a contracting authority and includes new, mandatory procurement law provisions under which sustainability and resilience criteria must be taken into account in the procurement of net-zero technologies. The criterion of „regional value creation“ is not included as a condition for the granting of subsidies. However, it would be desirable to have at least an additional requirement for production to be local and limiting the transport kilometres of material goods and services to be procured to a certain radius.

In general, reform of the EU procurement directives in line with harmonised social and environmental criteria is urgently needed, such as:

- Energy and material efficiency and waste and emission prevention as environmental suitability criteria;
- Soil and animal welfare as environmental award criteria;
- Employment of groups of people who are disadvantaged on the labour market, quality-assured apprenticeship training, long-term employment at the company, promotion of further training measures through to the environmentally friendly exercise of current activities, and retraining measures for green jobs as social award criteria.

In addition, it is necessary to introduce mandatory general contractor liability for subcontractors with regard to labour and social standards throughout the EU in order to prevent socially irresponsible procurement practices (non-compliance with collective agreements in subcontracting, bogus self-employment etc.) that are geared solely to the lowest price.

## Training and further education drive

Through the NZIA, the Commission aims to create high-quality jobs and ensure the skills they require at all skill levels in net-zero industries. To that end, funding will be provided for Net-Zero Industry Academies, which offer education and training on the development, production, operation and recycling of green technologies. The recognition of qualifications of third-country nationals in this field will also be facilitated. However, unilateral access that merely promotes training opportunities and adapts skills to employers' needs will not, per se, guarantee quality jobs; to achieve that, labour rights must be strengthened and compliance ensured.

## Strategic independence under the Critical Raw Materials Act

In order to be able to meet the increasing demand for raw materials for green technologies in the coming decades, 10% of the required raw materials are to be provided by 2030 through own mining, 40% through own processing and 15% through recycling. The CRMA unfortunately remains trapped in a one-sided focus on securing the largest possible quantities of raw materials for the EU. However, this is not enough in itself. In parallel, raw materials must be used efficiently and consumption must be reduced over the long term. The EU, with 6% of the world's population, consumes 25-30% of all metals produced.

In order to achieve the expansion of mining and processing capacities, strategic projects have been identified that will benefit from simplified approval procedures, among other things. AK welcomes that initiative, but compliance with environmental and occupational health and safety regulations must continue to be ensured and public participation safeguarded.

The requirements for the sustainable implementation of strategic projects also urgently need to be redefined. Critical raw materials are repeatedly the subject of reports on human rights violations and environmental damage along their supply chains. It would therefore be necessary for all companies involved in strategic projects to come under the scope of the EU Supply Chain Directive.

In cooperation with resource-rich third countries, planned trade agreements that reinforce unequal and unsustainable trade and production structures under the pretext of conversion to climate neutrality must be condemned in the strongest possible terms. AK is firmly opposed to plans to crack down on export restrictions and own-processing targets, thus making it more difficult for resource-rich countries to build up

their own industries.

## Reform of the electricity market design

An energy system that can meet the challenges of the future with regard to the energy transition must also aim to provide a secure and affordable power supply for all. Part of the Green Industrial Plan was therefore also a revision of the EU electricity market design, but this falls well short in its current form. Far-reaching reforms are needed to ensure that consumer prices correspond to production costs. The key demand of the Chamber of Labour is that energy supply be legally established as a pivotal part of services of general interest and that overriding goals such as security of supply, affordability and sustainability in the sense of decarbonisation be given priority over profit interests.

In addition, it should be noted that – besides electrification and the expansion of renewables – improving energy efficiency is the most important measure on the road to energy independence and net zero.

## Hydrogen as a prerequisite energy source (hydrogen bank)

Hydrogen is the beacon of hope for the energy transition, and now a market for this energy source is to be built up; by 2030, the aim is to produce 10 million tonnes in the EU and import the same amount. However, the EUR 3 billion made available for this purpose does not appear to be sufficient; estimates put the investment requirement at EUR 335 to 471 billion. Nevertheless, hydrogen will remain a rare commodity, so in addition to expanding supply, (indirect) demand management will also be necessary. Hydrogen should be targeted for use in industries that are difficult to electrify, such as the steel, cement and chemical industries and heavy transport.

The European Hydrogen Bank is intended as a financing instrument to close the cost gap between renewable hydrogen and fossil fuels. The auction instrument set up for the award of subsidies seems suitable in principle; however, in the Chamber of Labour's view, it would be desirable to also link the award of subsidies to social and environmental conditions such as location and employment guarantees and compliance with minimum wages and collective agreements. Setting a maximum price based on production costs could also prevent overproduction.

In connection with imports, particularly from countries in the global South, it is important to ensure that the local population's energy supply does not suffer due to the production of hydrogen for export. It should also be ensured that all projects are carried out in

compliance with strict social and environmental due diligence obligations for the protection of workers and the environment.

There is not yet sufficient focus on the situation on the intra-European market. Here, it must be ensured that competition is avoided thanks to joint procurement and also that companies in all Member States have access to affordable hydrogen. The employment aspect should also be considered, with estimates of one million new jobs by 2050. That requires suitable education and training opportunities, as well as the creation of acceptance and greater participation by the public and social partners in the transition process.

### **Economic policy conclusions**

There are signs that trouble is brewing in European industrial policy. The European Union has been under growing pressure since the U.S. began pursuing a more active industrial policy on green technology issues and China has been linking its hunger for resources and energy to a strong drive for technology leadership. The answer is now to be provided by the European regulation on climate-neutral industry. Under the regulation, the aim is to manufacture at least forty percent of the technologies needed for the green transformation in the EU by 2030 and thus become less dependent on third countries.

For that to succeed, there is a need for greater European cooperation and the implementation of a mission-oriented industrial policy that closely links structural, technology and employment policies.

Moreover, rapid transformation of the industrial sector requires all relevant stakeholders to pull together. This requires the active involvement of employees directly affected by the restructuring in particular, as well as their representatives and civil society, whether activists or local residents, for example when it comes to the approval of production facilities. That is urgently needed in order to reduce the uncertainties and fears that people feel when faced with major changes and to allay them as far as possible. Only by working together will it be possible to develop the necessary transition paths and then make them reality.

Research, innovation and technology development play an important role in the development, market introduction and market penetration of green technologies. That involves not only technical and product innovation, but also process innovation and – not least – social innovation. The public sector must be proactive in this regard. In social transformation processes, the focus on the people affected is particularly important, because they are the ones who contribute

their know-how, skills and work performance. Building a comprehensive carbon-neutral industrial sector therefore requires mission-oriented and targeted RTI policies that support this process. This requires increased cooperation and coordination among Member States.

Decarbonisation and the strengthening of Europe's strategic autonomy will only be possible if massive efforts are made to build a European circular economy. That is immediately evident when we consider the significant contribution of resource extraction and processing to total greenhouse gas emissions – the Commission puts it at 50%. Climate neutrality and resource efficiency are thus directly related. We must succeed in significantly reducing the use of resources in our economy. The efforts of the Commission and, in particular, of the individual Member States certainly do not yet go far enough here. That requires not only incentive systems, but also better regulation that delivers what it promises. The guiding principle is: refuse, reduce, repair, re-use, refurbish, repurpose and recycle!

A just transition means more than just investing in green technologies and industries. Public funds and economic policy measures should only be made available on condition that they create employment security and high-quality employment, as well as sustainable prosperity. That would require a clear commitment to compliance with collective agreements and to union involvement in merger and investment decisions at the company level. However, it would also be necessary for beneficiary companies to provide location and employment guarantees for greater planning security, including for employees. What is needed, then, is not only a green plan, but also a social and fair plan for a carbon-neutral era.

In order to tackle the climate crisis and lead the industrial base of the European prosperity model into a climate-neutral future, the strategic further development and quality of the welfare state and public infrastructure, as well as the financial scope that is to be created for that purpose, are crucial. In the view of the Chamber of Labour, that requires sustainable and viable transition paths that meet the following requirements:

- Prosperity-based focus of the economy
- Linking decarbonisation to employment policy issues
- Consideration of distribution aspects
- Involving national and European social partners in the management of the transition; the focus must be on people.

With the European Green Deal and the resulting regulations, the Commission is attempting a turnaround in industrial and economic policy. The Commission's goal is to make Europe a pioneer of green technologies and thus safeguard value creation and employment in the long term. To that end, it is developing a range of measures to promote the economy, but it is not making the most of possibilities in terms of regulatory and demand policy. What has been overlooked is the fact that society is confronted not only with technological change but also social structural change as a result of the promotion of net-zero technologies. There are still many steps to take on the road to a credible, realistic but also fair transition to climate-neutral European industry.





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## About Us

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The Austrian Federal Chamber of Labour (AK) is by law representing the interests of about 3.8 million employees and consumers in Austria. It acts for the interests of its members in fields of social-, educational-, economical-, and consumer issues both on the national and on the EU-level in Brussels. Furthermore, the Austrian Federal Chamber of Labour is a part of the Austrian social partnership. The Austrian Federal Chamber of Labour is registered at the EU Transparency Register under the number 23869471911-54.

The main objectives of the 1991 established AK EUROPA Office in Brussels are the representation of AK vis-à-vis the European Institutions and interest groups, the monitoring of EU policies and to transfer relevant information from Brussels to Austria, as well as to lobby